

**Self-Regulatory Organizations; Nasdaq PHLX LLC; Order Approving a Proposed Rule Change to Permit Monday and Wednesday Expirations for Options Listed Pursuant to the Short Term Options Program on the iShares Russell 2000 ETF (IWM)**

September 28, 2021.

I. Introduction

On August 6, 2021, Nasdaq PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² a proposed rule change to amend Phlx Options 4, Section 5 at Supplementary Material .03 to permit Monday and Wednesday expirations for options listed pursuant to the Short Term Option Series Program (“Program”) on the iShares Russell 2000 ETF (“IWM”). The proposed rule change was published for comment in the Federal Register on August 18, 2021.³ The Commission received comment on the proposal.⁴ This order approves the proposed rule change.

II. Description of the Proposal

Under the terms of the current Program, after an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading, on any Thursday or Friday that is a business day, series of options on that class that expire on each of the next five consecutive Fridays that are business days,⁵ provided that such Friday does not occur in the same week in which monthly options series on the same class expire or is not a Friday on which

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 92655 (August 12, 2021), 86 FR 46304 (“Notice”).

⁴ Comment on the proposed rule change can be found at:
<https://www.sec.gov/comments/sr-phlx-2021-43/srphlx202143.htm>.

⁵ See Supplementary Material .03 to Options 4, Section 5.

Quarterly Options Series on the same class expire.⁶ If the Exchange is not open for business on the Friday of the following business week, the series will expire on the first business day immediately prior to that Friday.⁷ In addition, the Exchange may open for trading, on any Friday or Monday that is a business day, series of options on the SPDR S&P 500 ETF Trust (“SPY”) and Invesco QQQ Trust Series (“QQQ”) ETF Trust to expire on any Monday of the month that is a business day and is not a Monday in which Quarterly Options Series expire, provided that expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration.⁸ The Exchange also may open for trading, on any Tuesday or Wednesday that is a business day, series of options on SPY and QQQ to expire on any Wednesday of the month that is a business day and is not a Wednesday in which Quarterly Options Series expire.⁹

The Exchange proposes to expand the Program to permit Phlx to open for trading, on any Monday or Friday that is a business day, series of options on IWM that expire on any Monday of the month that is a business day and is not a Monday in which Quarterly Options Series on the same class expire (“Monday IWM Expirations”). In the case of a series that is listed on a Friday and expires on a Monday, it must be listed at least one business week and one business day prior to that Monday expiration. If the Monday IWM Expiration falls on a Monday that is not a business day, the series shall expire on the first business day immediately following that Monday.

Similarly, the Exchange also proposes to expand the Program to permit Phlx to open for trading, on any Tuesday or Wednesday that is a business day, series of options on IWM to expire on any Wednesday of the month that is a business day and is not a Wednesday in which

⁶ Id.

⁷ Id.

⁸ Id.

⁹ Id.

Quarterly Options Series on the same class expire (“Wednesday IWM Expirations”). If the Wednesday IWM Expiration falls on a Wednesday that is not a business day, the series shall expire on the first business day immediately prior to that Wednesday.

In addition, the Exchange proposes to amend Supplementary Material .03(b) to Options 4, Section 5, to state that it may list up to five consecutive Monday IWM Expirations at one time and up to five consecutive Wednesday IWM Expirations at one time, and that there may be no more than a total of five Monday IWM Expirations and no more than a total of five Wednesday IWM Expirations.¹⁰ The Exchange also proposes to amend Supplementary Material .03(b) to Options 4, Section 5 to permit Monday IWM Expirations and Wednesday IWM Expirations to expire in the same week in which monthly options series on the same class expire. Otherwise, Monday IWM Expirations and Wednesday IWM Expirations will be subject to the same rules as standard Short Term Option Series.¹¹

III. Discussion and Commission’s Findings

The Commission has carefully reviewed the proposed rule change and finds that it is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, the requirements of Section 6(b) of the Act.¹² Specifically, the Commission finds that the proposal is consistent with the requirements of Sections 6(b)(5) of the Act,¹³ which requires, among other things, that a national securities exchange have rules designed to prevent fraudulent and manipulative acts and practices, to

¹⁰ The Exchange also proposes a non-substantive technical change to the punctuation after the title “Short Term Options Series Program” within Supplementary Material .03 to Options 4, Section 5.

¹¹ For example, the Monday IWM Expirations and Wednesday IWM Expirations would be subject to the same series limitations and strike interval rules as standard Short Term Option Series. See Notice, supra note 3, at 46305.

¹² 15 U.S.C. 78f. In approving this proposed rule change, the Commission has considered the proposed rule change’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹³ 15 U.S.C. 78f(b)(5).

promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and in general, to protect investors and the public interest.

One commenter expressed support for the proposal, stating that it permits market participants “to manage a more tailored and cost effective hedge for a specific event date”¹⁴ and asserting that the demand for Monday and Wednesday expirations on SPY and QQQ indicates their utility for market participants.¹⁵ The Commission believes that the proposed rule change may provide the investing public and other market participants more flexibility to closely tailor their investment and hedging decisions in IWM options, thus allowing them to better manage their risk exposure. The Commission notes that the proposed rule change is also similar to the Exchange’s existing rules permitting the listing and trading of Monday and Wednesday expirations on SPY and QQQ.¹⁶

In approving the proposal, the Commission notes that the Exchange has represented that it has an adequate surveillance program in place to detect manipulative trading in Monday IWM Expirations and Wednesday IWM Expirations.¹⁷ The Exchange further states that it has the necessary systems capacity to support the new options series.¹⁸

¹⁴ See Letter from Michael Golding, Head of Trading, Optiver US LLC, to Vanessa Countryman, Secretary, Commission, dated September 8, 2021, at 1.

¹⁵ See id., at 2.

¹⁶ See Supplementary Material .03 to Options 4, Section 5.

¹⁷ See Notice, supra note 3, at 46305 – 06.

¹⁸ Id.

IV. Conclusion

IT IS THEREFORE ORDERED THAT pursuant to Section 19(b)(2) of the Act¹⁹ that the proposed rule change (SR-Phlx-2021-43) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁰

J. Matthew DeLesDernier,
Assistant Secretary.

[FR Doc. 2021-21487 Filed: 10/1/2021 8:45 am; Publication Date: 10/4/2021]

¹⁹ 15 U.S.C. 78s(b)(2).

²⁰ 17 CFR 200.300-3(a)(12).